

## Maryland Home Values Rise in First Quarter of 2016

### State home values gains continue to lag U.S.

Maryland's home prices rose by 3.8 percent in the first quarter of 2016, the fifth consecutive quarter-over-quarter increase and the fourteenth increase in the last sixteen quarters. The increases over the last three years suggest that after nearly five years of housing price declines, the housing market has stabilized and starting to growth. This information is based on the Federal Housing Finance Agency's (FHFA) Purchase Only Housing Price Index (HPI), which measures average price changes in repeat sales for single-family houses<sup>1</sup>.

Other findings from the latest Purchase Only HPI:

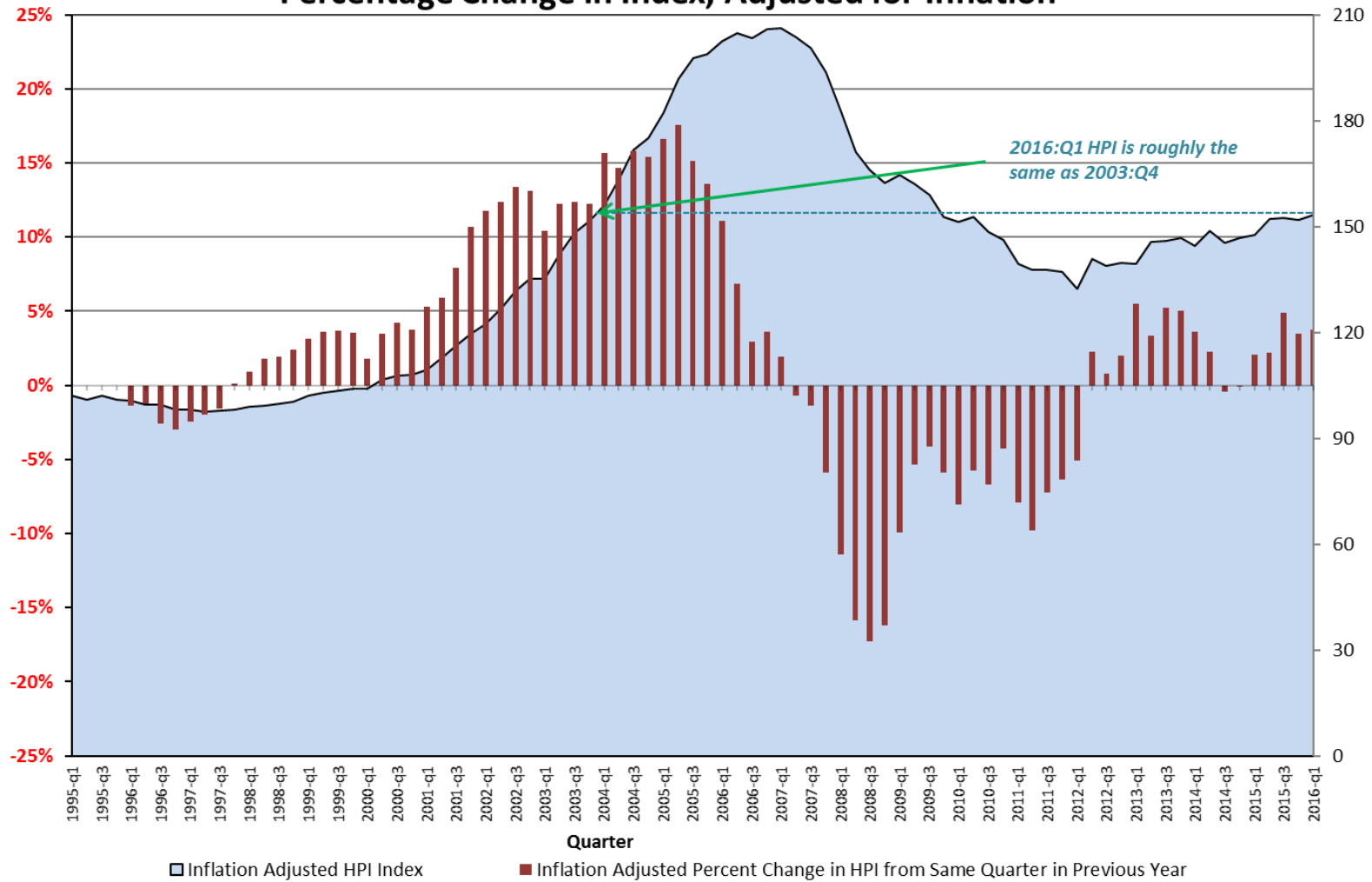
- Nationally, home prices rose an inflation-adjusted 5.7 percent in 2016:Q1, the sixteenth consecutive quarter-over-quarter increase. U.S. prices have been rising since 2012:Q2 ([See Table 1](#)).
- Home prices in Maryland are increasing at much slower rate compared to the nation. Quarterly price gains in the U.S. have been faster than in Maryland in each of the last 12 quarters ([See Chart 1](#)).
- Single-family home prices peaked in 2007:Q1 for Maryland and in the nation they peaked in 2006:Q4. However, the increase in home prices for Maryland (102.3%) was much greater than what occurred for the U.S. as whole (55.9%) when measured against the starting analysis period of 1995:Q1 ([See Chart 2](#)).
- Compared to the peak quarter, Maryland home prices have fallen by an inflation-adjusted 25.8 percent, while national home prices have declined by 12.6 percent.
- Compared to 1995:Q1 the start of the analysis period, the home prices in Maryland are up by 50.2 percent in 2016:Q1 which is greater than the national increase of 36.2 percent.
- Maryland Home prices consistently grew from 2012:Q2, through 2014:Q2, before declining slightly in the third and fourth quarters of 2014. Home prices have grown steadily in the last five quarters ([See Chart 3](#)).

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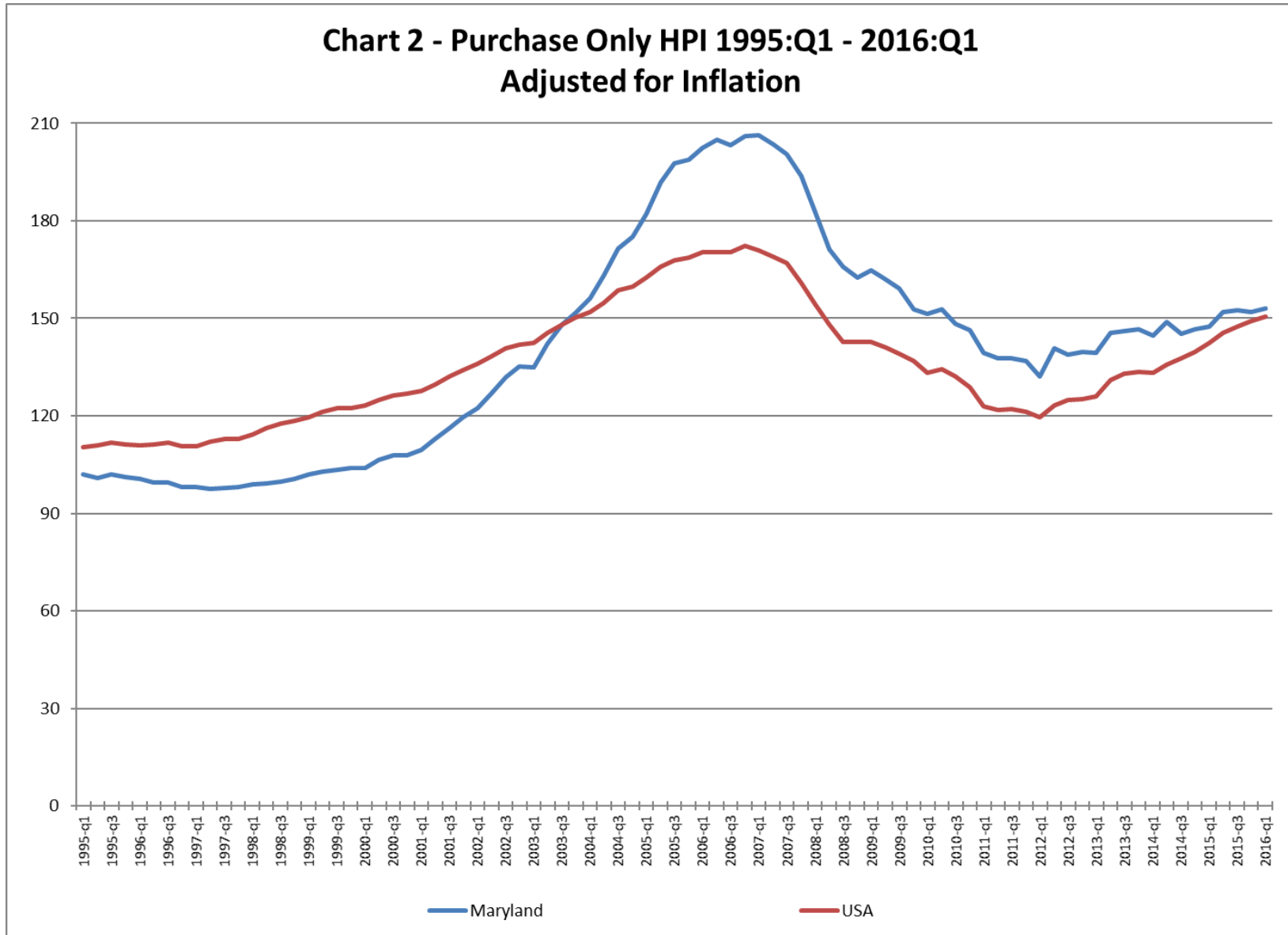
<sup>1</sup> This data tracks the valuation of existing single-family homes over time for which two mortgages used to purchase a home were originated and subsequently purchased by Freddie Mac or Fannie Mae since 1991. According to the FHFA, "Fannie Mae and Freddie Mac are restricted by law to purchasing single-family mortgages with origination balances below a specific amount, known as the "conforming loan limit." Loans above this limit are known as jumbo loans." Conforming loans are the only loans tracked by the House Price Index. See page 7 for more information.

- To illustrate the effects of the rise and fall of housing prices over time: a theoretical \$150,000 house in Maryland in 1995:Q1 would have risen in value to \$303,481 at the peak period of 2007:Q1 and fallen to \$194,569, a 35.9 percent decline, at its lowest point after the peak in 2012:Q1. By 2016:Q1, that house would have improved to \$225,324, 15.8 percent above its lowest point, but still 25.8 percent below its peak value. ([See Chart 4](#)).
- Similarly for the U.S., the \$150,000 house in 1995:Q1 would have risen in value to \$233,778 at its peak in 2006:Q4 and would have fallen in value to \$162,381, a 30.5 percent decline at its lowest point after the peak in 2012:Q1. By 2016:Q1 that house would have improved to \$204,258, 25.8 percent above its lowest point, but still 12.6 percent below its peak value.

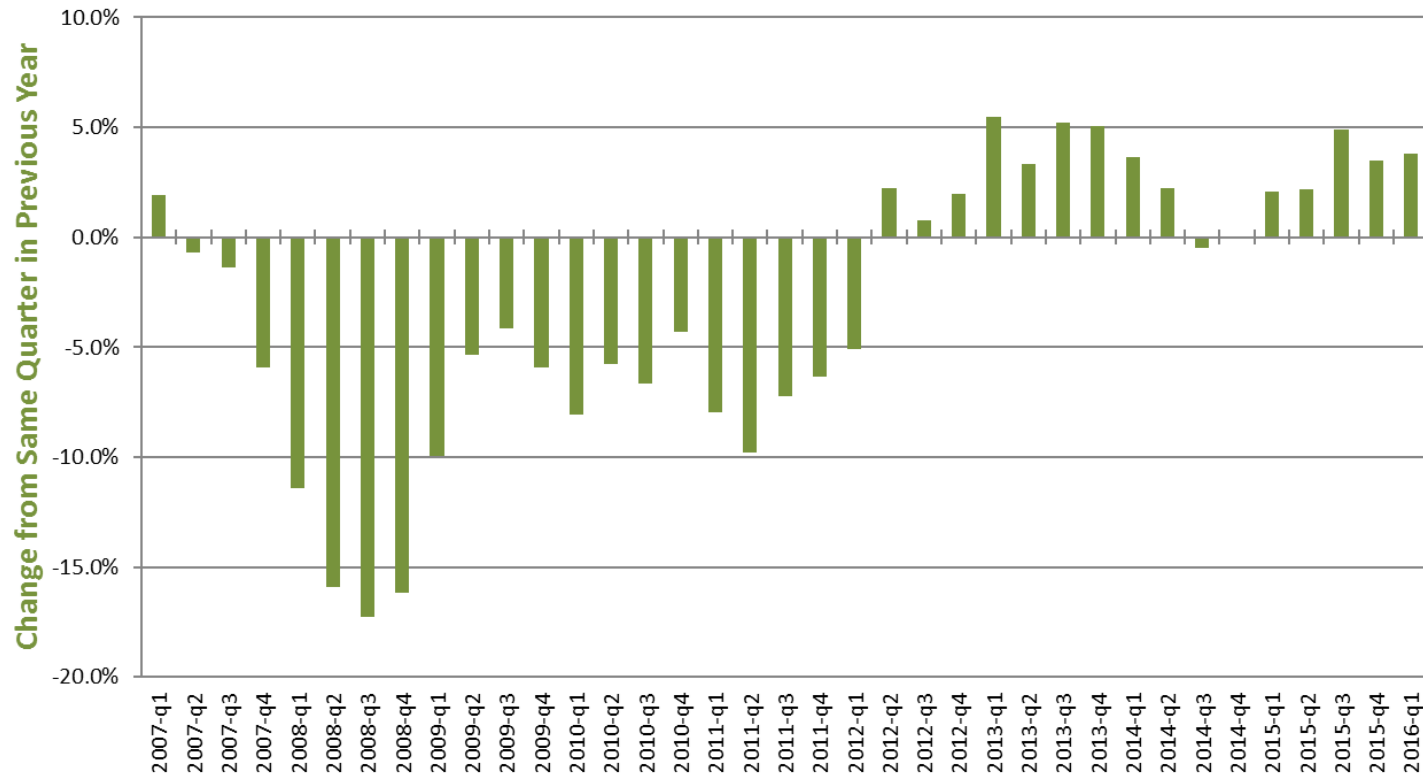
**Chart 1 - Purchase-Only HPI for Maryland**  
**First Quarter 1995 to First Quarter 2016**  
**Percentage Change in Index, Adjusted for Inflation**



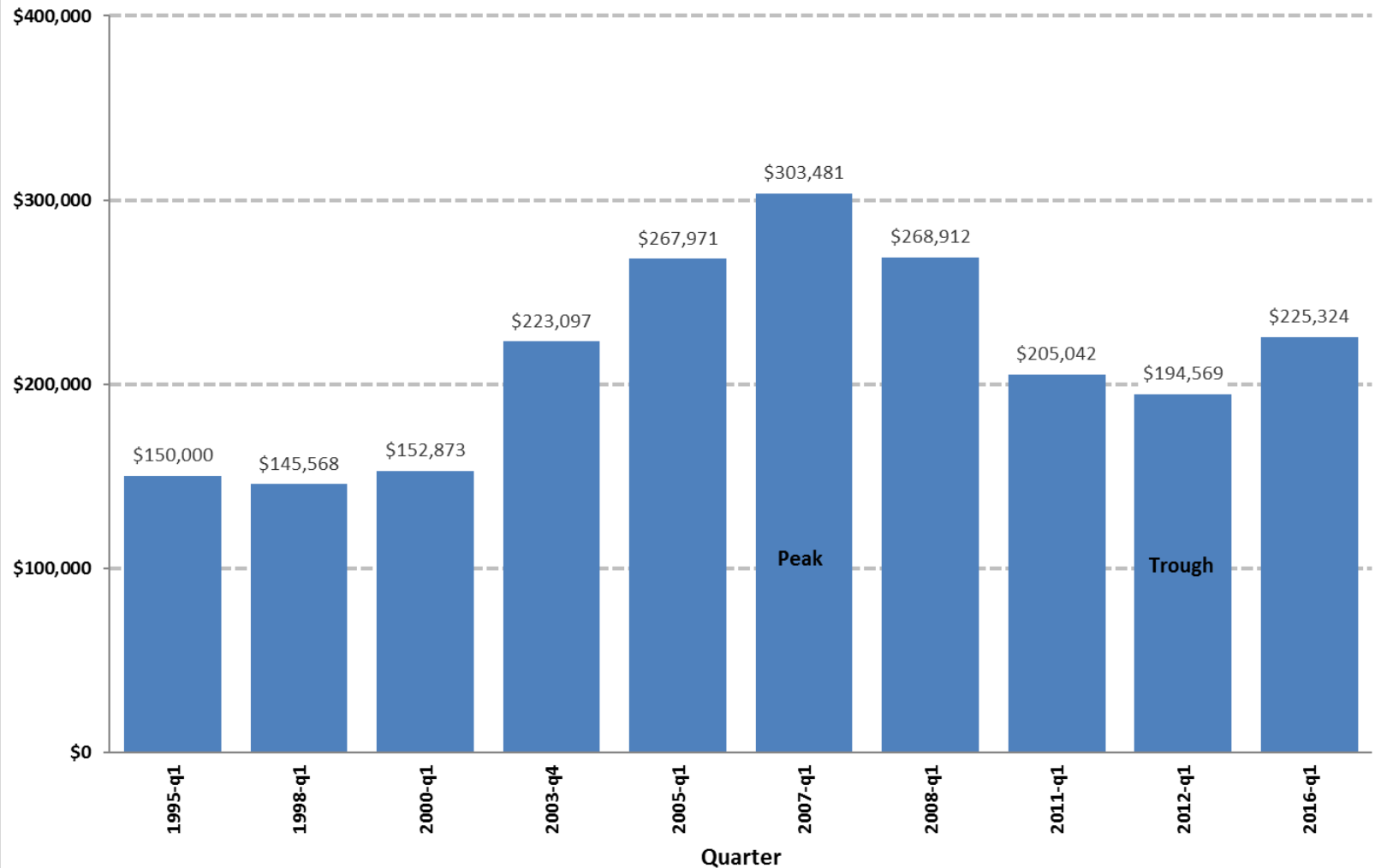
**Chart 2 - Purchase Only HPI 1995:Q1 - 2016:Q1  
Adjusted for Inflation**



**Chart 3 - Maryland Purchase Only HPI Percent Change  
from Peak 2007:Q1 to 2016:Q1**  
Adjusted for Inflation



**Chart 4 - Theoretical Single-Family Detached Home Price in Maryland,  
1995:Q1 to 2016:Q1 (Inflation-Adjusted)**



## About the FHFA's Purchase Only House Price Index (HPI)

The Purchase Only House Price Index (HPI) is a data series published by the Federal Housing Finance Agency (FHFA), a government agency responsible for overseeing the actions of the Federal National Mortgage Association (FNMA), commonly known as Fannie Mae, and the Federal Home Loan Mortgage Corporation (FHLMC), commonly known as Freddie Mac.<sup>2</sup> According to the FHFA, "The HPI for each geographic area is estimated using repeated observations of housing values for individual single-family residential properties on which at least two mortgages were originated and subsequently purchased by either Freddie Mac or Fannie Mae since January 1975."<sup>3</sup> Data from these two sources cover 40 percent of all mortgages issued in the U.S. Restricting the index to existing housing sales helps to control for the effect that differing housing types and characteristics might have on the data.<sup>4</sup> To remove the effects that inflation has on home prices, the HPI was adjusted for inflation using the Bureau of Labor Statistics' Consumer Price Index "All Items Less Shelter" series.<sup>5</sup> Unlike the similar All Transactions HPI, the Purchase Only HPI uses only mortgage data used to purchase an existing home (excluding mortgages used to refinance existing homes) and only goes back to 1991 rather than 1975.<sup>6</sup>

### Number of Housing Units by Units in Structure, Maryland, 1-Year 2014 Estimate

	Maryland	
	Estimate	Margin of Error
Total:	2,422,317	+/-480
1 unit, detached	1,240,633	+/-9,880
1 unit, attached	516,405	+/-8,033
2 units	38,682	+/-3,189
3 or 4 units	58,044	+/-3,693
5 to 9 units	122,665	+/-5,370
10 to 19 units	207,733	+/-6,463
20 to 49 units	56,010	+/-3,438
50 or more units	148,026	+/-4,885
Mobile home	33,482	+/-2,840
Boat, RV, van, etc.	637	+/-416

**Source:** 2014 American Community Survey 1-Year Estimates

<sup>2</sup> The Federal Housing Finance Agency (FHFA) was created on July 30, 2008 through a legislative merger of the Office of Federal Housing Enterprise Oversight (OFHEO), the Federal Housing Finance Board (FHFB) and the U.S. Department of Housing and Urban Development (HUD) government-sponsored enterprise (GSE) mission team. FHFA regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks.

<sup>3</sup> [http://www.fhfa.gov/webfiles/896/hpi\\_tech.pdf](http://www.fhfa.gov/webfiles/896/hpi_tech.pdf).

<sup>4</sup> For more information, see [http://www.fhfa.gov/webfiles/896/hpi\\_tech.pdf](http://www.fhfa.gov/webfiles/896/hpi_tech.pdf).

<sup>5</sup> Adjusted using series ID# CUUR0000SA0L2 as described in question 17 of the HPI FAQ, available at <http://www.fhfa.gov/Media/PublicAffairs/Pages/Housing-Price-Index-Frequently-Asked-Questions.aspx>.

<sup>6</sup> FHFA has a separate index, the All Transactions HPI, that uses both purchase price data from home sales and appraisal data from refinancing's. That index is discussed in the report *The House Price Index (HPI) for All Mortgage Types for Maryland, 1995 – 2016*, also on this website.

As this data is published for states and many Metropolitan Statistical Areas (MSAs) within the U.S., it is useful for tracking housing price trends on the state and local level. One fault with this data set is that it only tracks single-family detached housing, which in Maryland only comprises 51.6 percent of all housing units (61.6 percent in the U.S. as a whole). Another is that it doesn't capture the price effects that newly-built homes may have on the housing market until after they have been sold and resold. Even with these faults, the HPI is useful as it supplies consistent data across the U.S. for tracking home sales price appreciation trends over a 22 year period.

This data set is also related to, but is not the same as, the S&P/Case-Shiller® Home Price Indices published by Standard & Poors. There are three major differences between the S&P/Case-Shiller® Index and FHFA's Purchase Only Home Price Index. First, S&P/Case-Shiller uses selling prices recorded at county assessor's and recorder's offices, while FHFA uses data from conforming, conventional mortgages provided by Fannie Mae and Freddie Mac. Second, S&P/Case-Shiller® "value-weights" its index, meaning that more expensive homes have more influence on the index, while FHFA weights all home prices equally. Finally, S&P/Case-Shiller® does not cover 13 states, while FHFA data covers all 50 states. The FHFA created a detailed report that covers the similarities and differences between the two indexes, available at <http://us.spindices.com/documents/methodologies/methodology-sp-cs-home-price-indices.pdf>.